United Nations TD/B/62/L.1/Add.3

United Nations Conference on Trade and Development

Distr.: Limited
22 September 2015

Original: English

Trade and Development Board
Sixty-second session
Geneva, 14–25 September 2015

Draft report of the Trade and Development Board on its sixty-second session

Held at the Palais des Nations, Geneva, from 14 to 25 September 2015

Addendum

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President's summary

High-level segment: Development strategies in a globalized world: Multilateral processes for managing sovereign external debt

(Agenda item 2 (a))

1. The panel was composed of the Deputy Prime Minister of Viet Nam; Minister of Finance of Cabo Verde; Secretary of International Economic Relations, Ministry of Foreign Affairs and Religion of Argentina; a representative of the Committee for the Abolition of Third World Debt; and a professor of applied economics from the University of Leeds, the United Kingdom.

2. The panellists discussed the importance of debt sustainability for development and the need to improve existing debt restructuring processes. The experiences of several countries highlighted core problems and successful policies in debt management. Many regional groups and delegations emphasized that the topic was timely and relevant for developing countries, and welcomed the inputs provided by UNCTAD. The panellists noted that the current macroeconomic environment of rising interest rates and falling commodity prices had put the debt sustainability of many countries in jeopardy, suggesting an increased risk of sovereign debt problems in the future. Many countries would continue to be vulnerable to changes in external conditions that might undermine their debt sustainability and development. The panellists and many regional groups, delegations and participants agreed that the international community would need a multilateral approach to debt restructuring to handle those problems collectively.

3. Many delegations and the panellists saw vulture funds as posing a significant risk to debt sustainability. The recent experience of Argentina illustrated the damage vulture funds could inflict on a debt restructuring process. Many regional groups, delegations and participants noted that the matter had been raised in General Assembly resolution 68/304, which called for a multilateral legal framework for sovereign debt restructuring processes. They also greatly appreciated UNCTAD work as the substantive secretariat to the Ad Hoc Committee on Debt Restructuring Processes, as well as its research and analysis inputs on the matter. Many delegations agreed that the Basic Principles adopted at the sixty-ninth session of the General Assembly were an important step towards promoting improved debt restructuring processes. Member States invited countries that had not yet engaged in the dialogue to do so.

4. Though participants agreed broadly that discussion around a legal mechanism was warranted, some delegations considered that the International Monetary Fund was the appropriate forum for the discussion due to its technical expertise and central role in the global financial system. Many other delegations, however, considered the United Nations as the most appropriate forum as there was a precedent for addressing sovereign debt resolution in the General Assembly and it was more democratic, transparent and inclusive. The International Monetary Fund was not an impartial forum.

5. Many regional groups and delegations agreed that UNCTAD played an important role in providing research and analysis, technical assistance and support to the consensus-building process in the area of debt. Its work as the secretariat was widely appreciated and countries supported its continued engagement in the process. UNCTAD should also follow up on the General Assembly resolution and implementation of the Basic Principles.